



RRSP Investors: 2 Dividend-Growth Stocks to Hold for 25 Years

Description

Canadian investors are searching for reliable dividend stocks to buy inside their self-directed RRSP portfolios.

The strategy makes sense, especially when you plan to embrace the power of compounding and invest the dividends in new shares.

Let's take a look at **Fortis Inc.** ([TSX:FTS](#))([NYSE:FTS](#)) and **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) to see why they might be interesting picks.

Fortis

Fortis owns natural gas distribution, electric transmission, and power-generation assets in Canada, the United States, and the Caribbean.

The company has grown significantly from its roots in eastern Canada, and the acquisitions continue.

Fortis recently announced a \$1.2 billion deal to buy a two-thirds' stake in the Waneta dam in British Columbia. Last year, the company acquired Michigan-based ITC Holdings for US\$11.3 billion, and in 2014, Fortis spent US\$4.5 billion to buy Arizona-based UNS Energy.

Fortis gets most of its revenue from regulated assets, so cash flow should be reliable and predictable. That's part of the reason management can forecast dividend hikes of 6% per year through 2021.

Fortis has increased the distribution every year for more than four decades, so investors should be comfortable with the guidance. The stock currently offers a yield of 3.6%.

Long-term investors have done well with this stock. A \$10,000 investment in Fortis 20 years ago would be worth \$110,000 today with the dividends reinvested.

TD

TD is primarily known for its strong Canadian retail banking operations, but the company has worked

hard for more than a decade to build a substantial presence in the United States.

In fact, TD now has more branches in the U.S. than it does in Canada, with operations running from Maine all way down to Florida.

Investors are concerned a correction in the Canadian housing market will hit the banks hard. It's true that a total meltdown would be negative for bank stocks, but most analysts predict a gradual pullback in house prices.

TD is actually capable of riding out a pretty nasty slump. Insured mortgages represent 47% of the portfolio, and the loan-to-value ratio on the remaining loans is 49%. This means house prices would have to fall significantly before TD takes a material hit.

If Canada hits a rough patch, the U.S. operations can provide a nice hedge.

The company has a strong track record of increasing its dividend, with a compound annual dividend growth rate of 11% over the past 20 years. Investors currently get a 3.7% yield.

What about returns?

A \$10,000 investment in TD just 20 years ago would be worth \$117,000 today with the dividends reinvested.

Is one a better bet?

Both stocks should be solid buy-and-hold picks for an RRSP portfolio. At this point, I would probably call it a draw between the two names.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:FTS (Fortis Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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Date

2025/08/24

Date Created

2017/07/14

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